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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**INDIANA UTILITY
REGULATORY COMMISSION**

**JOINT PETITION OF THE BOARD OF DIRECTORS)
FOR UTILITIES OF THE DEPARTMENT OF PUBLIC)
UTILITIES OF THE CITY OF INDIANAPOLIS, D/B/A)
CITIZENS ENERGY GROUP, CWA AUTHORITY,)
INC., THE CITY OF INDIANAPOLIS AND ITS)
DEPARTMENT OF WATERWORKS AND ITS)
SANITARY DISTRICT FOR APPROVALS IN)
CONNECTION WITH THE PROPOSED TRANSFER)
OF CERTAIN WATER UTILITY ASSETS TO THE)
BOARD AND THE PROPOSED TRANSFER OF)
CERTAIN WASTEWATER UTILITY ASSETS TO)
THE AUTHORITY, INCLUDING: (A) APPROVAL OF)
INITIAL RATES AND RULES FOR WATER AND)
WASTEWATER SERVICE , AS WELL AS THE)
TERMS OF CERTAIN AGREEMENTS FOR)
WASTEWATER TREATMENT AND DISPOSAL)
SERVICE; (B) APPROVAL OF AN ENVIRONMENTAL)
COMPLIANCE PLAN UNDER IND. CODE 8-1-28 AND)
AN ADJUSTMENT MECHANISM FOR)
WASTEWATER RATES TO PROVIDE TIMELY)
RECOVERY OF COSTS NECESSARY TO COMPLY IN)
WHOLE OR IN PART WITH THE SAFE DRINKING)
WATER ACT AND/OR CLEAN WATER ACT; (C))
APPROVAL OF PROPOSED ALLOCATIONS OF)
CORPORATE SUPPORT SERVICES COSTS AMONG)
AFFECTED UTILITIES; (D) APPROVAL OF AN)
OPERATING AGREEMENT BETWEEN CITIZENS)
ENERGY GROUP AND CWA AUTHORITY, INC.;(E))
APPROVAL OF DEPRECIATION RATES AND)
OTHER ACCOUNTING MATTERS RELATED TO)
THE WATER AND WASTEWATER ASSETS; AND (F))
ANY OTHER APPROVALS NEEDED IN)
CONNECTION THEREWITH)**

CAUSE NO. 43936

VERIFIED JOINT PETITION

The City of Indianapolis, Indiana (the "City"), the Department of Waterworks (the "DOW") of the City, acting by and through its Board of Waterworks, the Sanitary District (the "Sanitary District") of the City, acting by and through its Board of Public Works, the Board of

Directors for Utilities of the Department of Public Utilities of the City, as successor trustee of a public charitable trust, d/b/a Citizens Energy Group (the “Board”) and CWA Authority, Inc. (the “Authority”), (collectively the “Petitioners”), respectfully petition the Indiana Utility Regulatory Commission (“Commission”) for approvals relating to the proposed acquisition of certain water utility assets by the Board from the City and DOW and the proposed acquisition of certain wastewater utility assets by the Authority from the City and Sanitary District and in support thereof state that:

I. CHARACTERISTICS OF THE PETITIONERS

A. The DOW

1. The DOW is a department of the City existing and operating under the authority of an Ordinance adopted by the City-County Council of the Consolidated City of Indianapolis and Marion County, Indiana ("City-County Council") under Indiana Code § 8-1.5-4-1, et seq. and 36-3-4-23. The DOW owns and operates plant and equipment for the production, transportation, delivery and furnishing of water utility service to the public in Marion, Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Morgan and Shelby Counties, Indiana (“Water System”). The DOW is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana.

2. The DOW has entered into a management agreement with the predecessor of Veolia Water North America Operating Services, LLC and Veolia Water Indianapolis, LLC (collectively, “Veolia”) to manage the day-to-day operations of the Water System (the “Veolia Agreement”).

3. The DOW’s current rates and charges for water service were approved by the Commission in its Interim Emergency and Prehearing Conference Order issued in Cause No.

43645, June 30, 2009. In that Order, the Commission authorized the DOW to increase temporarily its existing rates and charges for water service on an emergency basis, subject to refund pending issuance of the Commission's order on the DOW's request for permanent rate relief, which is currently pending before the Commission in Cause No. 43645.

4. In Finding Paragraph 10.E. of its June 30, 2009 Interim Emergency and Prehearing Conference Order entered in Cause 43645, the Commission conditioned the relief granted the DOW on obtaining the Commission's prior approval of "any contracts, agreements, joint ventures, or other type of transaction relating to the operation, management, sale or transfer of the water utility. . . ." The DOW is a Joint Petitioner in order to comply with the foregoing requirement.

B. The Sanitary District

5. The Sanitary District is a department of the City existing and operating under Ind. Code § 36-9-25-1, et seq. The Sanitary District operates distinct wastewater and stormwater systems that are supported by mains and laterals that generally converge into a combined system prior to transporting wastewater to two treatment plants.

6. The Sanitary District furnishes wastewater disposal service to its customers by means of plant and equipment, including mains and laterals comprising a wastewater collection and transportation system and associated treatment facilities (the "Wastewater System"). The treatment facilities include the Belmont Advanced Wastewater Treatment Plant, the Belmont Solids Handling Facilities and the Southport Advanced Wastewater Treatment Plant.

7. The Sanitary District furnishes wastewater utility service to commercial, residential, industrial and other types of customers in Marion County and portions of Hamilton County. The Sanitary District also has entered into Wastewater Treatment and Disposal

Agreements by which it provides wastewater transportation and treatment services to seven surrounding municipalities, districts and wastewater utilities (the “Satellite Customers”).

8. The Sanitary District has entered into an operating agreement with United Water Services Indiana (“United”), under which United manages the day-to-day operations of the Wastewater System and the storm water collection system (the “United Agreement”).

9. The City and the Sanitary District are subject to, and required to comply with, the terms of a Consent Decree entered by the U.S. District Court for the Southern District of Indiana, on December 19, 2006, in *United States and State of Indiana v. City of Indianapolis*, Cause No. 1:06-CV-1456-DFH-VSS (the “Consent Decree”). The Consent Decree requires the Sanitary District to construct and implement a number of specific remediation measures designed to reduce combined storm and wastewater overflows (“CSO”) from the Wastewater System into the City’s rivers and streams (the “CSO Projects”). Such CSO Projects are set forth in a Long Term Control Plan (“LTCP”), which has been approved by the Court. In 2009 and 2010, the Environmental Protection Agency (“EPA”) and the Indiana Department of Environmental Management (“IDEM”) approved certain changes to the Consent Decree, which are subject to Court approval.

10. The Sanitary District’s current rates and terms of service are not subject to the jurisdiction of the Commission; however, it has joined in this Joint Petition because it is a party to the Wastewater System Agreement identified in paragraph 28 below. The Sanitary District’s existing rates and charges for wastewater utility service were adopted by Ordinance of the City-County Council on April 13, 2009 and are codified in Section 671-102 of the Revised Code of the Consolidated City of Indianapolis, Indiana. Said Section of the Code provides that the Sanitary District’s wastewater rates will increase 10.75 percent annually effective January 1,

2009 through 2013. The annual increases in the Sanitary District's wastewater rates were designed largely to fund a portion of the capital cost of the CSO Projects mandated under the Consent Decree, reduce CSO events and improve the aging Wastewater System. The wholesale agreements with the Satellite Customers generally include a fixed charge component that relates to specific capital projects attributed to that wholesale customer's contracted capacity allocation and a variable revenue component based on metered flow.

11. Pursuant to City-County Council Special Ordinance No. 5, 2010, the Sanitary District is required to make annual payments in lieu of property taxes ("PILOT Payments") to the City through 2039, pursuant to an agreed upon schedule, whereby the amount of the PILOT Payments changes every year. After 2039, the Special Ordinance provides the annual amount of PILOT Payments will be determined in accordance with Ind. Code § 36-3-2-10.

C. The Board

12. The Board is comprised of seven members selected and appointed by a five-member Board of Trustees for Utilities (the "Trustees"). The Board and the Trustees have their principal office at 2020 North Meridian Street, Indianapolis, Indiana 46202.

13. The Indiana General Assembly has endowed the Board with broad powers "necessary for and intended to secure efficient and economical management and operation of utility properties in [the City]." Ind. Code § 8-1-11.1-15. Indiana Code § 8-1-11.1-3 grants the Board the power to own and operate all kinds of utilities "within the city, or outside the city within the limits authorized by law, and all property held by and relating or belonging thereto."

14. The Board's enabling legislation provides that it "shall have full power to transact all the business pertaining to said management and operation of each and all such utilities" and that Ind. Code 8-1-11.1 "shall be liberally construed to effectuate" its purpose. Ind.

Code § 8-1-11.1-15. Indiana Code § 8-1-11.1-3(c)(10) authorizes the Board to “take over all contracts and rights of any kind or character, and to fulfill and perform all obligations relating to the property and business of any utility company whose property may be taken over by [the City], either in absolute ownership or trust.” Under Ind. Code 8-1-11.2, the Board has the power to “purchase the whole or any part of the property of a public utility . . . notwithstanding a portion of [the property] may be located anywhere outside of the corporate limits of [the City].”

15. Currently, the Board does business as Citizens Energy Group, and operates Citizens Gas, a municipal gas utility, and Citizens Thermal, a municipal steam utility and chilled water system, with the powers set forth in Ind. Code § 8-1-11.1-1, et seq.

16. The Board serves as the board of the City’s utility special taxing district, and is an Indiana political subdivision. Indiana Code § 8-1-11.1-3(c)(1) grants the Board the power of eminent domain. Indiana Code § 8-1-11.1-10 also grants the Board the power to tax.

17. Under Ind. Code § 8-1-11.1-3.1, the Board operates as the board of directors for utilities and the municipal legislative body for purposes of establishing rates and charges under Ind. Code § 8-1.5-3-8. Accordingly, the Board has the power to establish and determine under Ind. Code 8-1-11.1 and Ind. Code § 8-1.5-3-8 the rates and charges for service, as well as the terms and conditions of service, for the utilities under its control (subject to the approval of this Commission), and to otherwise regulate the utility services provided to its customers and beneficiaries as provided in Ind. Code 8-1-11.1.

18. Pursuant to the terms of Ind. Code § 8-1-11.1-3(a), the Board is charged by law with the duty of, and has all the necessary power and authority to furnish and sell services and products of, and to make all necessary construction, reconstruction, repairs, renewals, enlargements, extensions or additions to its plant and property, which in its judgment are

“desirable or necessary for the proper conduct of such business and the proper serving of the inhabitants of the city and adjacent, contiguous or suburban communities or territory” within Marion County, Indiana and adjacent areas.

19. The utilities operated by the Board are subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana, including Ind. Code § 8-1-11.1-3 and certain provisions of the Public Service Commission Act, as amended. Ind. Code 8-1-2.

20. Capital projects undertaken by the utilities under the Board’s control are financed with tax-exempt “revenue obligations” authorized by Resolutions adopted by the Board under one or more statutory sections, i.e., Ind. Code § 8-1-11.1-19 through 25. Debt service on revenue obligations issued by the Board is an explicit cash revenue requirement under the municipal utility ratemaking statute (Ind. Code § 8-1.5-3-8), subject to the Commission’s review and approval for recovery in reasonable and just rates and charges for services.

21. If the Commission approves the Board’s acquisition of the water utility assets from the City and the DOW in the proposed transaction described below, the Board will adopt rates and charges and terms and conditions of service under Ind. Code § 8-1-11.1-3(c)(9), but such rates and rules for service shall be in effect only after they have been filed with and approved by the Commission. The Commission will have sole jurisdiction to regulate the Board’s rates and charges and terms and conditions for water utility service in the same manner and to the same extent as it regulates the rates and charges and terms of service of the gas and steam utilities under the Board’s control.

D. The Authority

22. Indiana's Interlocal Cooperation Statute (Ind. Code § 36-1-7-1, et seq.) allows political subdivisions and governmental entities to exercise common powers they possess. The Interlocal Cooperation Statute explicitly authorizes governmental entities to exercise shared powers by entering into an interlocal cooperation agreement that will be administered through a separate legal entity (i.e., the Authority) established by the agreement. The Board, the Sanitary District and the City have entered into an interlocal cooperation agreement (the "Interlocal Agreement") pursuant to the Interlocal Cooperation Statute to form the Authority as an Indiana nonprofit corporation, for the purpose of acquiring, owning and operating certain Wastewater System assets to be acquired from the City and the Sanitary District.

23. The Interlocal Agreement provides that the Authority will possess all of the "appropriate and requisite authorizations, powers, functions and duties" of each of the City, the Sanitary District and the Board, including the power of eminent domain, but excluding the City's and the Sanitary District's taxing power and taxing authority, to allow the Authority to administer and operate the acquired wastewater utility properties.

24. The Interlocal Agreement also provides for the duration, purpose, manner of financing, staffing and supplying for the Authority. Pursuant to the Interlocal Agreement, the seven members of the Board also will serve as members of the Board of Directors of the Authority (the "Authority Board"), all governmental personnel operating the wastewater utility will be employees of the Board and the treasurer of the Board will be responsible for the financial affairs of the Authority Board. While the Authority will be a separate legal entity and political subdivision of the State, it will be an instrumentality of the Board and operated and managed by the Board. As a nonprofit corporation, however, the Authority agrees to be treated

as a “public utility” within the meaning of Ind. Code § 8-1-6-3 and will pay the annual public utility fee as set forth in Ind. Code § 8-1-6-1, et seq.

25. The Board has sought and obtained a Ruling from the Indiana Department of State Revenue that the Authority qualifies for the exemption from the Indiana Utility Receipts Tax codified at Ind. Code § 6-2.3-4-3. Therefore, the Authority’s gross receipts from the provision of wastewater utility services will be exempt from the Indiana Utility Receipts Tax.

26. As an instrumentality of the Board created pursuant to the Interlocal Agreement, the Board has vested the Authority with the power under Ind. Code § 8-1-11.1-3(c)(9) to establish rates and charges and terms and conditions for the Authority’s provision of wastewater utility service. The Authority will, pursuant to its powers under Ind. Code § 8-1-11.1-3(c)(9) and subject to the approval of this Commission, adopt rates and charges for wastewater utility service provided by the Authority consistent with the currently-effective rates and charges for wastewater utility service that have been approved by Ordinance adopted by the City-County Council. The Authority, pursuant to its powers under Ind. Code § 8-1-11.1-3(c)(9) and subject to the approval of this Commission, also will adopt terms and conditions of service and resolutions necessary to provide wastewater utility service.

27. As a result of the Interlocal Agreement creating the Authority, and in the event that the Commission approves the relief requested in this Joint Petition, the City-County Council will no longer have the power and authority following closing of the proposed transaction to establish rates and charges, or terms and conditions of service, for wastewater utility service currently being provided by the Sanitary District. Rates and charges and terms and conditions for service established under Ind. Code § 8-1-11.1-3(c)(9) are subject to the approval of this

Commission. Consequently, this Commission will have the sole jurisdiction to approve the rates and charges and terms and conditions of wastewater utility service provided by the Authority.

II. THE PROPOSED TRANSACTIONS

28. The City and the DOW, as Sellers, and the Board, as Purchaser, have entered into an Asset Purchase Agreement (the “Water System Agreement”) whereby the City and the DOW will sell and transfer to the Board certain water utility assets currently owned and operated by the City and the DOW, subject to the Commission’s approval in this proceeding. In parallel, the City and the Sanitary District, as Sellers, and the Board and the Authority, as Purchaser, have entered into an Asset Purchase Agreement (the “Wastewater System Agreement”) whereby the City and the Sanitary District will sell and transfer to the Authority certain Wastewater System assets currently owned and operated by the City and the Sanitary District, subject to the Commission’s approval in this proceeding. The Water System Agreement and Wastewater System Agreement, as well as their attached Schedules, will be filed with the Commission and described in Joint Petitioners’ case-in-chief testimony.

29. Both the Water System Agreement and Wastewater System Agreement contain provisions describing transferred and excluded assets and liabilities, the purchase price and other financial arrangements, representations, warranties and indemnification obligations, pre-closing conditions, and post-closing agreements and covenants.

30. The transactions contemplated under the Water System Agreement and Wastewater System Agreement are in the public interest and in the best interest of the City, the Board, the Authority, the DOW, the Sanitary District and their respective utility customers. The proposed transactions serve public convenience and necessity and should be approved by the Commission.

A. Water System Agreement

31. Under the Water System Agreement, the Board will acquire, except for specifically excluded assets, all of the City's and the DOW's right, title and interest to and under all of the assets used, necessary or important in the operation of the Water System, as defined in Section 2.01 of the Water System Agreement. The City will retain, without limitation, its Eagle Creek Flood Control facility (subject to the Board's right to withdraw water therefrom), certain accounts receivable, intellectual property, access rights and other reserved rights and scheduled assets.

32. The Board will assume the liabilities of the City and DOW relating to the Water System, including without limitation those related to litigation against either of the City or DOW relating to the Water System; performance under certain contracts; and certain retiree medical benefits described in the Water System Agreement (referred to in the Water System Agreement as the "Assumed Liabilities"). Obligations and liabilities retained by the City and DOW include, without limitation, those related to assets not transferred to the Board, certain trade payables, tort claims against either of the City or DOW in existence prior to Closing, any claim to the extent the City or DOW has a right to indemnification, certain penalties or fines, or interest thereon, assessed by the EPA or IDEM, those that constitute indebtedness not included in the Assumed Debt Obligations, any Intergovernmental Advances, as defined in the Water System Agreement, and certain employee benefit obligations.

33. In addition to the Assumed Liabilities described in the Water System Agreement, as consideration for its acquisition of the Water System, the Board will issue debt to replace and refund certain Water System long term debt owed by the City and DOW amounting to \$915,655,000 as of June 1, 2010.

34. The Board will hold and operate the Waster System in a public charitable trust, will not seek withdrawal from Commission jurisdiction and agrees that the rates and charges in effect at the time of Closing will remain unchanged for two years, unless changes are necessary due to an emergency, as defined by Ind. Code § 8-1-2-113, or to avoid a default under the Board's bonds.

B. Wastewater System Agreement

35. The Authority will acquire all of the City's and Sanitary District's right, title and interest to and under all of the assets used, necessary or important in the operation of the Wastewater System as described in the Wastewater System Agreement. The City also will assign to the Authority all of its rights and obligations under the Wastewater Treatment and Disposal Agreements with the Satellite Customers. The City will retain certain specified assets, including without limitation those related to the City's storm water system, the cash balance of the Sanitary District's Sanitation General Fund, certain accounts receivable, intellectual property, access rights and other reserved rights and scheduled assets.

36. The Authority will assume the liabilities of the City and Sanitary District relating to the Wastewater System, including without limitation those related to the Sanitary District's Septic Tank Elimination Program ("STEP"), litigation against either of the City or Sanitary District relating to the Wastewater System, performance under certain contracts, the Consent Decree, and PILOT Payments (referred to in the Wastewater System Agreement as the "Assumed Liabilities"). Obligations and liabilities retained by the City and Sanitary District include without limitation those related to assets not transferred to the Authority, the operation of the City's storm water system, claims for damages payable under any Barrett Law claim, certain trade payables, tort claims against the City or Sanitary District in existence prior to Closing,

those related to any claim to the extent the City or Sanitary District has a right to indemnification, certain penalties or fines, or interest thereon, assessed by the EPA or IDEM, those that constitute indebtedness not included in the Assumed Debt Obligations (as defined in the Wastewater System Agreement), and certain employee benefits obligations.

37. The Authority will pay the amount of \$262,600,000 for the Wastewater System, subject to certain conditions and adjustments. Of that amount, \$170,600,000 will be due at Closing, but reduced by (i) \$1,200,000 to compensate the Authority for the increased financial costs due to a downgrading of the credit rating of the City's provider of surety bonds and (ii) \$1,000,000 for environmental insurance policies, for a total cash payment by the Authority of \$168,900,000. On October 1, 2011, the Authority will pay an additional \$92,000,000, which shall be secured by a subordinated bond. In addition to the payment of the purchase price as adjusted, the Authority will issue debt to replace certain debt obligations of the Sanitary District (referred to in the Wastewater System Agreement as the Assumed Debt Obligations). The total amount of the debt issued by the Authority will be approximately \$611,992,250. The Authority also will make PILOT Payments in accordance with City-County Special Ordinance No. 5, 2010 through 2039, and thereafter in accordance with the PILOT statute and semiannual payments to the City in an amount equal to the interest and remaining principal payments of the City under the City's general obligation bonds associated with the Sanitary District ("GO Debt") with a principal outstanding of \$53,608,000 as of June 1, 2010.

38. The Wastewater System Agreement requires the Sanitary District to make a payment from the Sanitary District's Sanitation General Fund to the Authority at closing of \$4,700,000 to pay certain STEP costs. Further, the Sanitary District will deposit \$40,000,000 from the Sanitary District's Sanitation General Fund into escrow at Closing. This escrow deposit

will fund the Board's and Authority's indemnification claims against the City or Sanitary District, and any expenses relating to the amendment, assignment or termination of the Veolia Agreement and United Agreement. To the extent any funds remain in the escrow at the end of the escrow period, the Authority will receive 37.5% of such funds, with the balance paid to the City.

39. The Authority will hold and operate the Wastewater System in a public charitable trust, will not seek withdrawal from Commission jurisdiction, and will limit rate increases to no more than 10.75% a year until after 2013, unless a rate increase is necessary due to an emergency as defined by Ind. Code § 8-1-2-113 or to avoid a default under the Authority's bonds.

III. PROPOSED RATE ADJUSTMENT MECHANISM AND OTHER RATE ISSUES

40. Under Section 2.04 of the Wastewater System Agreement, after Closing the Authority will assume responsibility for performance of the City's and Sanitary District's obligations under the Consent Decree. The Authority also will be liable for all damages resulting from its failure to meet the requirements and obligations of the Consent Decree. The CSO Projects have been approved by the Court, and the Authority will be required to maintain a specified level of annual spending on, and construction of, CSO Control Measures through 2025. The Authority has agreed in the Wastewater System Agreement that it will seek the Commission's approval of the "City's then current wastewater rates as approved by the City-County Council, which rates shall increase no more than 10.75% annually through 2013," subject to certain exceptions.

41. The Authority will have a continuing need beyond 2013 for substantial annual rate increases, in order to pay for CSO Control Measures in accordance with the terms of the

LTCP as approved under the Consent Decree and to make other capital expenditures necessary to comply in whole or in part with the Safe Drinking Water Act and/or Clean Water Act (the “ECP Expenditures”). The Authority requests Commission approval of an environmental compliance plan in this proceeding, under Ind. Code 8-1-28, and a rate adjustment mechanism, under Ind. Code § 8-1-2-42(a) and/or Ind. Code § 8-1-28-11(a)(2), that, beginning in 2014, will permit it to adjust wastewater rates on an annual basis or more or less frequently as needed by the Authority in order to have funds available to pay for the ECP Expenditures. The proposed rate adjustment mechanism will be designed to recover the debt service on debt issued to fund ECP Expenditures and be subject to periodic reconciliation between general rate cases to ensure that base rates and any approved rate adjustments provide the Authority with “income sufficient to maintain the wastewater system in a sound physical and financial condition to render adequate and efficient service,” Ind. Code § 8-1.5-3-8(d), and to implement the Environmental Compliance Plan in order to “comply in whole or in part with the requirements of the Safe Drinking Water Act or the Clean Water Act.” Ind. Code § 8-1-28-2.

42. Section 3.05 of the Wastewater System Agreement provides that the City shall have issued public debt prior to the Closing, payments of principal and interest on which shall be secured and funded by a series of annual PILOT Payments by the Authority to the City. The Indianapolis Local Public Improvement Bond Bank will issue approximately \$160 million of its Series 2010 F Bonds on August 12, 2010 to purchase the City’s PILOT Revenue Bonds, Series 2010 A, which are secured by PILOT Revenues received from PILOT Payments. Upon Closing of the proposed transaction, the Authority will thereafter be obligated to pay to the City when due the scheduled PILOT Payments set forth in City-County Council Special Ordinance No. 5, 2010. Section 3.05 of the Wastewater System Agreement further provides that among the

approvals necessary as conditions to Closing is the Commission's approval of the Authority's obligation to make and recover in rates annual PILOT Payments for the full term of the payment schedule set forth in Special Ordinance No. 5, 2010.

43. Consistent with Ind. Code § 8-1.5-3-8, the Authority seeks Commission approval in this proceeding of the Authority's obligation to make annual PILOT Payments for the full term of the parties' agreed upon payment schedule set forth in the Special Ordinance and Commission findings recognizing that in future rate cases such PILOT Payments will be an element of "reasonable and just rates and charges for service" recoverable in the Authority's rates and charges for wastewater service.

44. Section 13.03 of the Wastewater System Agreement provides that as a condition precedent to the Authority's obligations under the Wastewater System Agreement, it shall have obtained the Commission's approval of the terms and conditions of the Wastewater System Agreement and the transactions contemplated therein, including the Board's proposed allocation of operating and/or capital expenditure savings among the gas, steam, water, chilled water, and wastewater utilities. The identical provision is set forth in Section 13.03 of the Water System Agreement. Accordingly, as part of their case-in-chief, the Board and the Authority will present for the Commission's approval a proposed method for allocating certain corporate support services costs among the affected utilities and affiliated non-utility entities.

IV. VEOLIA AND UNITED AGREEMENTS

45. Section 13.05 of the Water System Agreement provides that the assignment, amendment or termination of the Veolia Agreement upon terms reasonably acceptable to the Board and the City is a condition of Closing. Similarly, Section 13.07 of the Wastewater System

Agreement provides that the assignment, amendment or termination of the United Agreement upon terms reasonably acceptable to the Authority and to the City is a condition of Closing.

46. As soon as reasonably practical after the completion of negotiations, the Board and the Authority will describe and present for any required approvals any agreements with Veolia and United related to the operation of the water utility and wastewater utility under the ownership of the Board and the Authority, respectively.

V. APPLICABLE LAW

47. Joint Petitioners consider that the provisions of Ind. Code §§ 8-1-2-23, 24, 25, 38, 39, 40, 41, 42, 61, 83 and 89, Ind. Code 8-1-11.1 and 8-1-11.2, Ind. Code 8-1-28, Ind. Code § 8-1.5-3-8, Ind. Code 36-1-7 and Ind. Code § 36-3-2-10, among others are or may be applicable to the subject matter of this Joint Petition.

VI. COUNSEL FOR THE PARTIES

48. The names and addresses of attorneys for the Board and the Authority in this matter, to whom all correspondence and communications in this Cause should be sent, are:

Michael E. Allen (Atty. No. 20768-49)
Citizens Energy Group
2020 N. Meridian Street
Indianapolis, IN 46202
Telephone: (317) 927-4318
Facsimile: (317) 927-4318
E-mail:
mallen@citizensenergygroup.com

Michael B. Cracraft (Atty. No. 3416-49)
Philip B. McKiernan (Atty. No. 10247-49)
Steven W. Krohne (Atty. No. 20969-49)
Hackman Hulett & Cracraft, LLP
111 Monument Circle, Suite 3500
Indianapolis, IN 46204-2030
Telephone: (317) 636-5401
Facsimile: (317) 686-3288
E-mail: mcracraft@hhclaw.com
pmckiernan@hhclaw.com
skrohne@hhclaw.com

49. The names and addresses of attorneys for the City, the DOW and the Sanitary District in this matter, to whom all correspondence and communications in this Cause should be sent, are:

Fred E. Schlegel (Atty. No. 185-49)
Regina M. Sharrow (Atty. No. 19559-53)
Peter L. Hatton (Atty. No. 7970-45)
James R. Pope (Atty. No. 5786-32)
Baker & Daniels
300 North Meridian Street, Suite 2700
Indianapolis, Indiana 46204-1782
Telephone: (317) 237-0300
Facsimile: (317) 237-8326
E-mail: fred.schlegel@bakerd.com
regina.sharrow@bakerd.com
peter.hatton@bakerd.com
james.pope@bakerd.com

WHEREFORE, the parties respectfully request that the Indiana Utility Regulatory Commission hold such hearings as it deems necessary in this proceeding and thereafter enter an Order:

(a) approving the Water System Agreement and the transactions contemplated therein, finding that said agreement and its terms are reasonable and in the public interest and authorizing the City, the DOW and the Board to take all actions necessary to effect such agreement;

(b) finding that the Board has the legal, financial, technical and managerial ability to own and operate the Water System;

(c) approving any agreement reached by the Board and Veolia as reasonable and in the interest of the customers of the Water System;

(d) approving the use by the Board of the schedules of rates and charges applicable to the provision of water utility service by the DOW in effect at Closing, as well as rules and regulations for service based on those used by the DOW;

(e) approving the DOW's assignment of any DOW Interlocal Agreements and franchise rights to the Board and the Board's assumption of the DOW's obligations thereunder;

(f) approving the adoption by the Board of the DOW's depreciation rates currently used for the Water System;

(g) approving the recording on the books and records of the Board of the acquired Water System assets as described in the evidence in this proceeding;

(h) approving the Wastewater System Agreement and the transactions contemplated therein, finding said agreement and its terms and the Authority's agreement to make the PILOT Payments in accordance with the schedule agreed upon by the parties and attached to Special Ordinance No. 5, 2010, to be reasonable and in the public interest and authorizing the City, the Sanitary District and the Authority to take all actions necessary to effect such agreement;

(i) finding the Authority has the legal, financial, technical and managerial ability to own and operate the Wastewater System;

(j) approving any agreement reached by the Authority and United respecting operation of the Wastewater System as reasonable and in the interest of the customers of the Wastewater System;

(k) approving the use by the Authority of the schedule of rates and charges currently applicable to the provision of wastewater utility service by the Sanitary District, as set forth in the City's rate Ordinance, and in effect at Closing to be effective for wastewater utility service rendered by the Authority;

(l) approving the terms of certain agreements for wastewater treatment and disposal service and the use by the Authority of general terms and conditions of service based on the rules now in effect for wastewater utility service by the Sanitary District;

(m) approving the adoption by the Authority of the Sanitary District's depreciation rates currently used for the Wastewater System;

(n) finding the Board's assumption of outstanding indebtedness of the DOW or City related to the Water System or issuance of any new indebtedness related to the Board's proposed acquisition of the Water System to be reasonable, in the public interest and recoverable in rates;

(o) finding the Board's or the Authority's assumption of any existing outstanding indebtedness of the Sanitary District or City related to the Wastewater System, issuance of any new indebtedness related to the Authority's proposed acquisition of the Wastewater System, and the Authority's semiannual payments to the City associated with the Sanitary District's GO Debt to be reasonable, in the public interest and recoverable in rates;

(p) authorizing the proper accounting treatment of the acquired Wastewater System assets on the books and records of the Authority as described in the evidence in this proceeding;

(q) approving the Authority's environmental compliance plan and authorizing the Authority to implement an adjustment mechanism for wastewater rates and charges to provide timely recovery of ECP Expenditures necessary for the Authority to comply in whole or in part with the Safe Drinking Water Act and/or Clean Water Act; and

(r) approving an operating agreement between the Board and the Authority and the proposed methodology for allocating corporate support services costs among the affected utilities and non-utility affiliates under the Board's control;

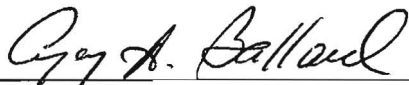
(s) approving a certificate of territorial authority to the Authority for the provision of wastewater utility service to any customers located in rural areas; and

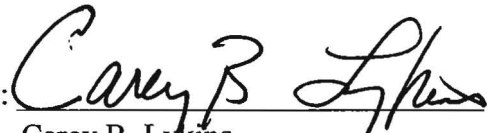
(t) granting all other appropriate relief necessary or appropriate.

Dated this 11th day of August, 2010.

CITY OF INDIANAPOLIS

THE BOARD OF DIRECTORS FOR
UTILITIES OF THE DEPARTMENT OF
PUBLIC UTILITIES OF THE CITY OF
INDIANAPOLIS, D/B/A CITIZENS
ENERGY GROUP


By: 
Gregory A. Ballard
Mayor

By: 
Carey B. Lykins
President and Chief Executive Officer

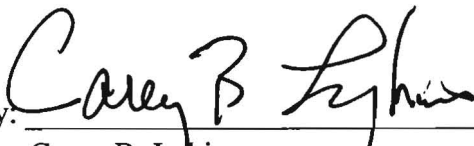
THE DEPARTMENT OF WATERWORKS
OF THE CITY OF INDIANAPOLIS,
ACTING BY AND THROUGH THE BOARD
OF WATERWORKS

THE SANITARY DISTRICT OF THE CITY
OF INDIANAPOLIS, ACTING BY AND
THROUGH THE BOARD OF PUBLIC
WORKS

By: 
Matthew T. Klein
Executive Director

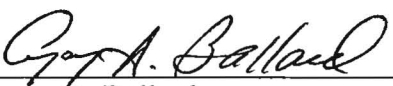
By: 
David R. Sherman
Executive Director

CWA AUTHORITY, INC.

By: 
Carey B. Lykins
President and Chief Executive Officer

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Gregory A. Ballard being first duly sworn upon oath, deposes and says that he is the Mayor of the City of Indianapolis, Joint Petitioner in the above-entitled Cause; that as such he executed the foregoing Joint Petition for and on behalf and in the name of said City of Indianapolis, and has authority to do so; that he has read the foregoing Joint Petition and is familiar with the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.




Gregory A. Ballard
Mayor

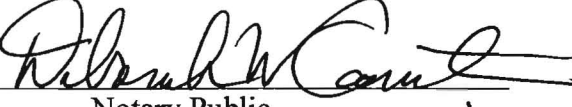
STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Before me, a Notary Public in and for said County and State, personally appeared Gregory A. Ballard who acknowledged the execution of the foregoing Joint Petition.

Witness my hand and notarial seal this 11th day of August, 2010.

My Commission Expires:

 July 21, 2016




Notary Public
Printed: Deborah W. Curithers
Resident of Hamilton County



STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Matthew T. Klein, being first duly sworn upon oath, deposes and says that he is the Executive Director for the Department of Waterworks of the City of Indianapolis, acting by and through the Board of Waterworks, Joint Petitioner in the above-entitled Cause; that as such he executed the foregoing Joint Petition for and on behalf and in the name of said Department of Waterworks, and has authority to do so; that he has read the foregoing Joint Petition and is familiar with the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.



Matthew T. Klein
Executive Director


STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Before me, a Notary Public in and for said County and State, personally appeared Matthew T. Klein who acknowledged the execution of the foregoing Joint Petition.

Witness my hand and notarial seal this 11th day of August, 2010.

My Commission Expires:

July 21, 2016




Notary Public
Printed: Deborah W. Carnahan
Resident of Hamilton County



STATE OF INDIANA)
) SS:
COUNTY OF MARION)

David R. Sherman, being first duly sworn upon oath, deposes and says that he is the Executive Director for the Sanitary District of the City of Indianapolis, acting by and through the Board of Public Works, Joint Petitioner in the above-entitled Cause; that as such he executed the foregoing Joint Petition for and on behalf and in the name of said Sanitary District, and has authority to do so; that he has read the foregoing Joint Petition and is familiar with the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.



David R. Sherman
Executive Director

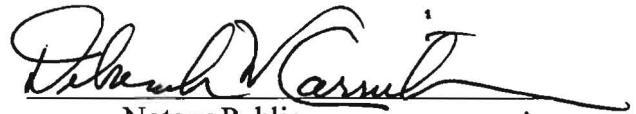
STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Before me, a Notary Public in and for said County and State, personally appeared David R. Sherman who acknowledged the execution of the foregoing Joint Petition.

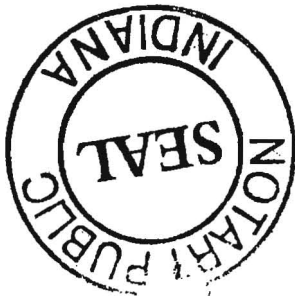
Witness my hand and notarial seal this 11th day of August, 2010.

My Commission Expires:

July 21, 2016



Notary Public
Printed: Deborah W Carrithers
Resident of Hamilton County



STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Carey B. Lykins, being first duly sworn upon oath, deposes and says that he is the President and Chief Executive Officer for the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as successor trustee of a public charitable trust, d/b/a Citizens Energy Group and CWA Authority, Inc., Joint Petitioners in the above-entitled Cause; that as such he executed the foregoing Joint Petition for and on behalf and in the name of said Board of Directors for Utilities and CWA Authority, Inc., and has authority to do so; that he has read the foregoing Joint Petition and is familiar with the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.

Carey B. Lykins
Carey B. Lykins, President and Chief
Executive Officer

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Before me, a Notary Public in and for said County and State, personally appeared Carey B. Lykins who acknowledged the execution of the foregoing Joint Petition.

Witness my hand and notarial seal this 11th day of August, 2010.

My Commission Expires:


July 21, 2016

Deborah W Carrithers
Notary Public
Printed: Deborah W Carrithers
Resident of Hamilton County



CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing "Verified Joint Petition" was served on the Indiana Office of Utility Consumer Counselor by delivering a copy thereof to said office, this 11th day of August, 2010.



An Attorney for Joint Petitioners
Citizens Energy Group and
CWA Authority, Inc.

Michael E. Allen (Atty. No. 20768-49)
Citizens Energy Group
2020 N. Meridian Street
Indianapolis, IN 46202
Telephone: (317) 927-4318
Facsimile: (317) 927-4318
E-mail: mallen@citizensenergygroup.com

Michael B. Cracraft (Atty. No. 3416-49)
Philip B. McKiernan (Atty. No. 10247-49)
Steven W. Krohne (Atty. No. 20969-49)
Hackman Hulett & Cracraft, LLP
111 Monument Circle, Suite 3500
Indianapolis, IN 46204-2030
Telephone: (317) 636-5401
Facsimile: (317) 686-3288
E-mail: mcracraft@hhclaw.com
pmckiernan@hhclaw.com
skrohne@hhclaw.com

Attorneys for Joint Petitioners
Citizens Energy Group and CWA Authority, Inc.